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C O N F I D E N T I A L SECTION 01 OF 03 MANILA 000443

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TAGS: [MARR](#) [MOPS](#) [PINS](#) [PREL](#) [PTER](#) [RP](#)  
SUBJECT: SCENESETTER FOR ADMIRAL KEATING'S VISIT TO THE  
PHILIPPINES

Classified By: Ambassador Kristie A. Kenney, reasons 1.4 (b) and (d).

11. (SBU) SUMMARY: Admiral, welcome back to the Philippines! You will find the political atmosphere in the usual state of ferment, with President Arroyo still in firm control, in part due to continued strong economic growth. We have been working hard to counter the efforts of a vocal minority to oppose the Balikatan exercises, and so far events in Mindanao and Luzon have been carried out successfully, without any significant incidents. The Philippine armed forces continue to score successes against terrorists in the southern Philippines, while supporting the Philippine government's efforts to make peace with Muslim insurgents. Philippine Defense Secretary Teodoro and Chief of Staff General Esperon are taking more active control of defense reform, with positive results. During your visit you will meet Philippine civilian and military leaders and visit a Balikatan civil-military operations event where U.S. and Philippine Marines are working together to rebuild a school. END SUMMARY.

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BALIKATAN  
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12. (C) As we have discussed, we have worked actively to ensure Balikatan goes smoothly. While a vocal minority of political and social leaders has sought to gain political capital by mischaracterizing Balikatan as a hostile military exercise aimed at the people of Mindanao, all Embassy elements have mounted a quick and effective response. To counter misperceptions in the southern Philippines, we have engaged a wide array of politicians, community leaders, and individuals involved in the peace process, emphasizing that no military exercises will take place in Mindanao or the Sulu Archipelago; that all activities in these regions will be humanitarian in nature; and that the U.S. personnel who are participating will work alongside their Philippine counterparts at all times. We have also strongly urged Philippine government and armed forces leaders to take a more aggressive leadership role in coordinating with local political and religious leaders.

13. (C) So far, there have been no significant demonstrations or security incidents at any of the Balikatan sites on Mindanao or elsewhere, and I received a very warm welcome at the medical civil action event I attended on Jolo February 19. Elsewhere in the Philippines, planning for the field training and staff exercises has gone well, and we are

expecting a successful series of events in Luzon as our two militaries partner on both operational and humanitarian assistance activities. The civil-military activities that will be conducted in Palawan by the U.S and Philippine Marines are enjoying strong local support. The outreach blitz appears to have garnered the support of several Muslim decisionmakers, but we will continue our efforts through the duration of Balikatan.

#### PHILIPPINE POLITICS

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14. (SBU) Philippine politics remains unsettled, with President Gloria Arroyo's administration facing renewed charges of corruption. Still, she retains a firm grip on the House of Representatives, where she orchestrated the removal of the former Speaker of the House in favor of another political ally, and can still count on the support of a large majority of provincial governors and local mayors. Her relationship with top security officials also remains strong, as evidenced by their recent reminders to military and police personnel to stay out of political debates and stay focused on their security roles. Moreover, the public may be suffering from scandal fatigue, as there has not yet been strong mass support for regime change in the vein of the "people power" movements of the past.

#### ECONOMICS AND TRADE

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15. (C) One bright spot remains the continued growth of the Philippine economy, which grew over 7 percent in 2007, the strongest expansion in three decades. Unemployment and

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inflation are down, and government revenues are up, even in the face of rising fuel prices, continued corruption allegations, terrorist bombings, and political tumult. President Arroyo has an impressive reform agenda -- privatize the electric sector, build infrastructure, increase education funding, and reduce business red tape -- but still faces significant hurdles, particularly in improving the investment climate. There is also considerable concern over the impact of a slowdown in U.S. economic growth, as the U.S. remains the Philippines' largest trading partner, with over \$17.3 billion in two-way merchandise trade, and largest investor, with \$6.6 billion in equity.

#### MINDANAO: SECURITY AND THE PEACE PROCESS

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16. (C) Military and law enforcement forces continue to achieve important successes in the counterterrorism efforts, which the government said have resulted in the death or capture of 7 key terrorist leaders and over 200 other terrorism suspects since August 2006, including the deaths of Abu Sayyaf Group leaders Khadaffy Janjalani and Abu Solaiman. The Philippine Armed Forces recently recovered the suspected remains of Bali bomber and Jemaah Islamiyah leader Dulmatin. FBI agents are assisting Philippine National Police in the forensic examinations and DNA analysis, which will take several weeks. Whatever the outcome of the results from the DNA tests, it will be important to ensure that the Philippine government has the opportunity to announce the results first, given their command of the antiterrorism efforts here. Separately, Philippine forces also scored a confirmed hit against Jemaah Islamiyah when they arrested Jemaah Islamiyah member Latif in Mindanao.

17. (SBU) The government continues its efforts to work out a comprehensive peace agreement with the insurgent Moro Islamic Liberation Front (MILF), even as it seeks to fully implement its 1996 deal with the Moro National Liberation Front (MNLF). While progress on both tracks is fitful, a peace deal this year with the MILF still appears a viable possibility, though difficult negotiations on governance and revenue sharing

remain. It is clear from my discussions with both government and insurgent leaders that all sides recognize the importance of an enduring peace for the long-term prosperity of Mindanao. At President Arroyo's suggestion, I met February 20 with MILF Chairman Murad at his headquarters outside Cotabato and emphasized our support for the peace process.

#### PHILIPPINE DEFENSE REFORM

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¶8. (C) In an encouraging sign of deepening support for the ongoing armed forces overhaul, Secretary of National Defense Gilberto Teodoro took personal control of Philippine Defense Reform last November, and the Philippine government plans to spend about USD 100 million annually through 2012 to fund defense reform initiatives. To date, the Philippines has spent over \$400 million on defense reform, including \$28 million to match U.S. foreign military financing. Teodoro is personally involved in the process down to the working level, and is currently putting his own personnel into key positions of authority. Since he has taken over, the Philippines and U.S. have implemented a major Foreign Military Sales case for 8,000 Harris radios worth \$91 million, the largest FMS case in Philippine history. This and other purchases and reform efforts are improving operational readiness through improved maintenance and greater transparency in the procurement system.

#### UNLAWFUL/EXTRAJUDICIAL KILLINGS

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¶9. (C) Extrajudicial killings remain one of the thorniest issues for the Arroyo administration, with critics charging that rogue elements of the Philippine military are responsible for the killings. President Arroyo has spoken out consistently and strongly on the issue, including during the State of the Union address, and has taken a variety of steps to address the problem such as the creation of -- or strengthening of existing -- government task forces and commissions. By the end of 2007, these steps, as well as intensified domestic and international attention to the

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problem, appeared to have had a measurable impact, with government agencies and human rights NGOs reporting a significant decline in the number of extrajudicial killings during the year. The Embassy carefully vets all proposed military and law enforcement personnel about to receive U.S.-funded training both internally and with relevant Philippine authorities to comply with the terms of the Leahy Amendments.

#### SUGGESTED THEMES

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¶10. (SBU) In your meetings with Philippine officials, I suggest you stress the following themes:

-- The Philippines is a strong and valued partner in counterterrorism efforts;

-- At the invitation of the Philippine government, U.S. forces are here during Balikatan to assist the Armed Forces of the Philippines. They bring healthcare and build necessary infrastructure in poor communities. Our forces train and work together because we have a deep shared history and mutual obligations.

-- Congratulations on recent successes in the fight against terrorists, and commendations to those brave Filipinos who provided information leading to these successful military operations;

-- We are committed to helping sustain the momentum in Philippine counterterrorism efforts by assisting with

military and humanitarian offensives;

-- We are following the peace process with great interest as it moves forward. We fully support the government's desire for a durable peace agreement. We believe it is important to keep open communications with those willing to discuss peace.

-- We take the issue of extra-judicial killings seriously. Suspects need to be apprehended and tried. We are encouraged by steps the Philippine government has taken to eliminate this problem, and we support the ongoing efforts to promote a culture of democratic security that protects everyone;

-- Philippine Defense Reform is transforming the Armed Forces of the Philippines into a more modern, capable force. We are proud to be partners in this program.

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